ANNUAL REPORT 1987

ALBERTA MUNICIPAL FINANCING CORPORATION

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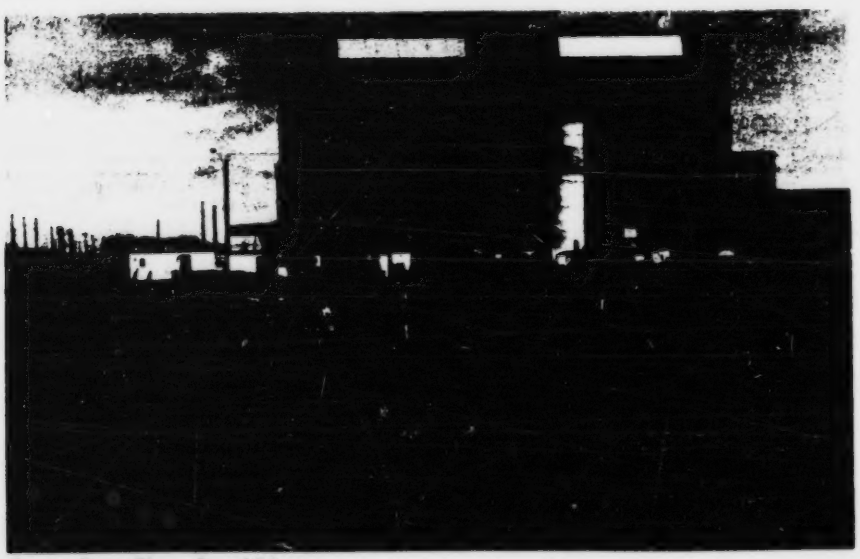


Genesee Power Plant, City of Edmonton

A.F. COLLINS

F.G. STEWART

M.R. PARKER

BOARD OF DIRECTORS

A.R. GROVER

A.J. McPHERSON

R.A. SPLANE

ALBERTA MUNICIPAL FINANCING CORPORATION

R.L. ARDIEL

M.J. SCHMITKE

D.H. VIZINA

DIRECTORS

APPOINTED
A.F. COLLINS
A.R. GROVER
A.J. McPHERSON
R.A. SPLANE
F.G. STEWART

ELECTED
M.R. PARKER
Representing Class B shareholders

R.L. ARDIEL
Representing Class C shareholders

M.J. SCHMITKE
Representing Class D shareholders

D.H. VIZINA
Representing Class E shareholders

OFFICERS

A.F. COLLINS
President and Chairman of the Board

C.P. HAYES
Honorary Chairman

M.R. PARKER
Vice-President

H.H. STROHBACH
General Manager and Treasurer

E.J. PEACOCK
Secretary and Assistant Treasurer

OFFICES

Sir Frederick W. Haultain
Building
9811 - 109 Street
Edmonton, Alberta
T5K 0C8
Telephone (403) 427-9711

PRESIDENT'S REPORT

February 19, 1988

A. F. Collins
PRESIDENT AND CHAIRMAN
OF THE BOARD

It is a pleasure for me to review the corporation's activities for the past year and to present the annual report of the Alberta Municipal Financing Corporation for the year ended December 31, 1987.

During a year of significant volatility in interest rates, the volume of new loans issued to shareholders in 1987 decreased to about $307 million, representing a reduction of 9% compared to those issued in 1986. General municipal and school loans decreased by about 40% and 31% respectively. The overall reduction in loans would have been greater except for an increase in municipal utility loans.

Based on a survey of our shareholders' borrowing intentions it is expected that new loans in 1988 will increase significantly, by about 50% to $460 million, largely due to increased borrowing by Alberta's two major cities. The details of the 1988 borrowing forecast are set out in the Schedule of Estimated Requirements on Page 6 following this report.

Two decisions by your Board of Directors in 1987 benefited the shareholders of the corporation in a major way: a further reduction of interest rates on outstanding loans to a maximum of 12-1/2% and a change in the corporation's stop-loss settlement policy affecting loan prepayments. The interest rate reduction on outstanding loans was made possible as a result of $541 million in high cost short-term debt maturing in 1987, which carried interest rates between 15-3/8% and 17-1/4%. To retire this debt the corporation applied firstly the annual loan repayments from its shareholders, and secondly used surplus assets accumulated in the corporation's sinking fund. Your Board of Directors decided that the resulting net savings to the corporation should be passed back to the shareholders in the form of reduced interest rates on outstanding loans. Therefore, all loans carrying interest rates between 14% and 12-5/8% were reduced to 12-1/2% effective January 1, 1988. This reduction affected over 2400 loans, including almost 1200 loans which had

previously been reduced from 19% to 14% on January 1, 1987. This will likely be the final reduction in lending rates due to refinancing the corporation's short-term debt since it takes into account all savings to be achieved in future years.

The change in the corporation's stop-loss settlement policy regarding loan prepayments in April of 1987 recognized our shareholders' legitimate desire to reduce their high-cost debt load. This change eliminated the present value calculation of the corporation's future losses in favour of a prepayment fee of two, three or four months of interest. The Departments of Municipal Affairs and Education subsequently withdrew the offsetting subsidy grants midway through the year. Based on the dramatic increase in loan prepayments from $9 million in 1986 to $117 million in 1987, the new policy was apparently received very favourably by our shareholders. The cost to the corporation of this change in the prepayment policy amounted to $17.6 million in 1987. After this initial volume it is expected that loan prepayments will decrease to a more normal level in 1988.

As a result of the significant loan prepayments in 1987, total loans outstanding at year-end dropped to $4.99 billion from $5.05 billion at the end of 1986.

Turning to the national scene, gross municipal borrowing in Canada totalled close to $1.5 billion in 1987, which was slightly higher than the $1.4 billion recorded in 1986. About $725 million of the 1987 borrowing occurred in Canadian public and non-public markets, while the remaining $750 million or so was raised from offshore markets. In terms of percentages, borrowing from abroad rose 7% in 1987 with domestic borrowing in both public and non-public markets expanding by 5%. Most of the foreign borrowing was concentrated in the Eurobond market.

1987 marked the fifth year of economic expansion, the longest

period in postwar Canada. However, 1987 also gained notoriety as being the year when stock prices across the world collapsed. In order to avert chaos in financial markets, central banks made massive liquidity injections that resulted in a quick decline of interest rates. But lower rates were short-lived as central banks subsequently moved to reduce the liquidity in response to more current data on the impact of the stock market collapse. In recent weeks interest rates have drifted downwards to levels not seen since before the stock prices collapsed.

Given the uncertainty and major interventions by the central banks, there could be some volatility in interest rates in the months to come.

It is with deep regret that I announce the death of our past Secretary-Treasurer Mr. George T. Dodds.

George served the corporation faithfully for 12 years until his retirement in May, 1987. He was known and appreciated as a helpful, friendly voice on the telephone for many shareholders and an efficient secretary to your Board of Directors. George passed away after a short illness in February, 1988. He will be missed and remembered by the corporation, his business associates and friends.

Serving as president for the past three years has been an honour and a privilege. I take this opportunity to express my sincere appreciation to our directors and staff for the very efficient handling of the affairs of our corporation over the past year.

A.F. Collins
PRESIDENT AND CHAIRMAN OF THE BOARD

Schedule of Estimated Requirements

(thousands of dollars)

	1988 Estimated	1987 Actual	1986 Actual
By Jurisdiction			
Cities	$310,000	$173,732	$150,023
Towns	16,000	13,891	12,997
Villages	3,000	429	1,768
Counties, municipal districts and other	40,000	31,874	34,907
Hospital and nursing home districts	5,000	776	800
School divisions and districts	86,000	81,873	123,093
Universities and colleges	–	3,953	13,600
	$460,000	$306,528	$337,188
By Purpose			
Municipal	$347,000	$187,938	$168,889
Hospital	5,000	3,983	800
School	108,000	114,607	167,499
	$460,000	$306,528	$337,188

General Manager's Report

February 19, 1988

H. H. Strohbach
GENERAL MANAGER

The capital financing requirements of Alberta municipal authorities in 1987 decreased by about $31 million from those of 1986 to continue the downward trend of the past five years. New loans for municipal and hospital purposes increased by $19 million and $3 million respectively, while school purpose loans decreased by $53 million.

All funds required in 1987 for lending to shareholders were obtained on 20-year terms from the Canada Pension Plan Investment Fund (CPP). An additional small amount of borrowing from the CPP was applied to the redemption of debt maturities which totalled a record $625 million in 1987. The details of debt maturities and serial redemptions of U.S. debentures in 1987 are as follows:

Debentures held by the Provincial Treasurer

May 3, 1987	15¼%	$ 40 million
June 15, 1987	15¼%	50 million
August 3, 1987	16⅞%	70 million
September 1, 1987	15½%	210 million
September 15, 1987	16¼%	85 million
November 16, 1987	17¼%	86 million
		$541 million

Canada Pension Plan Investment Fund Debentures

November 1, 1987	5.57%	$ 55 million

Canadian and U.S. Public Debentures

June 15, 1987 (Can.)	5¼%	$ 25 million
November 15, 1987 (U.S.)	5%	2 million (about)
December 15, 1989 (U.S.)	4⅝%	2 million (about)

To redeem all the debt maturing in 1987 the corporation used about $370 million of annual loan repayments from shareholders along with about $21 million of borrowings from the Canada Pension Plan Investment

Fund. The balance was obtained from surplus assets accumulated in the corporation's general sinking fund. The use of surplus sinking fund assets for debt retirement starting in 1986 and for making new loans to shareholders starting in 1988, was approved by the Board of Directors in the year 1986. In 1988 one Canada Pension Plan Investment Fund debenture in the amount of $65 million and two short-term debentures payable to the Provincial Treasurer totalling $155 million will mature.

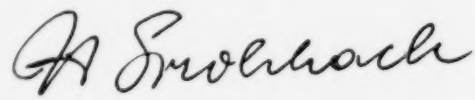
As a result of the substantial debt retirements in 1987, the gross outstanding debt of the corporation decreased by $298 million to $5.6 billion at December 31, 1987. Of this total, nearly $3.9 billion or 70%, is held by the Canada Pension Plan Investment Fund. As in prior years, the Alberta Government has continued to allocate all the funds available from the Canada Pension Plan Investment Fund to the Alberta Municipal Financing Corporation, thus assuring the corporation of a cost-effective source of funds. The estimate of the Canada Pension Plan funds available in 1988 is $325 million, a decrease of $3 million compared to the $328 million received in 1987. The corporation's historical sources of capital are summarized in the table at the end of this report.

Considering the financing requirement for new shareholder loans in 1988 of about $460 million, along with debt maturities of about $220 million, it is estimated that surplus sinking fund assets in excess of $170 million along with regular loan repayments of $255 million and borrowing from the CPP of about $325 million will be utilized in 1988 to meet the corporation's requirements.

Interest rates during 1987 were very volatile, resulting in numerous changes to the corporation's lending rate schedule. For a 20-year term loan the lending rate varied between a low of 9-3/8% and a high of 12-1/8%. The AMFC lending rates are reviewed and established semi-monthly.

based on market conditions. In comparing AMFC interest rates with those quoted in the public markets one must keep in mind that the corporation's loans require only annual payments of interest and principal while interest on most domestic debt issues require semi-annual interest payments.

In closing, I want to express my sincere appreciation to our President and Board of Directors, our staff and the many Alberta Treasury staff members who have provided services to the corporation throughout the past year.



H. H. Strohbach
GENERAL MANAGER

SOURCES OF CAPITAL

(thousands of dollars)

	Gross Outstanding December 31, 1987	Outstanding as a Percentage of Total
Canada Pension Plan Investment Fund	$3,895,824	69.9%
Government of Alberta	935,000	16.8%
Public:		
Canada	739,180	13.2%
United States	3,962	.1%
Total	$5,573,966	100.0%

How the Corporation Functions

PURPOSE

The Alberta Municipal Financing Corporation is a non-profit corporation. It assists municipal jurisdictions within the province to obtain capital funds at the lowest possible cost through access to capital markets which would not be available to them on an independent basis.

AUTHORITY

The corporation was established in 1956 under the authority of the Alberta Municipal Financing Corporation Act, being Chapter 3 of the Statutes of Alberta 1956 (R.S.A., 1980 CH. A-33).

SHAREHOLDERS

The authorized stock of the corporation consists of the following shares with a par value of $10 each:

- 4500 Class A, available only to the Crown
- 1000 Class B, available only to municipalities (defined as including municipal districts, counties, improvement districts and special areas) and to approved hospitals and hospital districts
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to school districts and divisions, universities and colleges

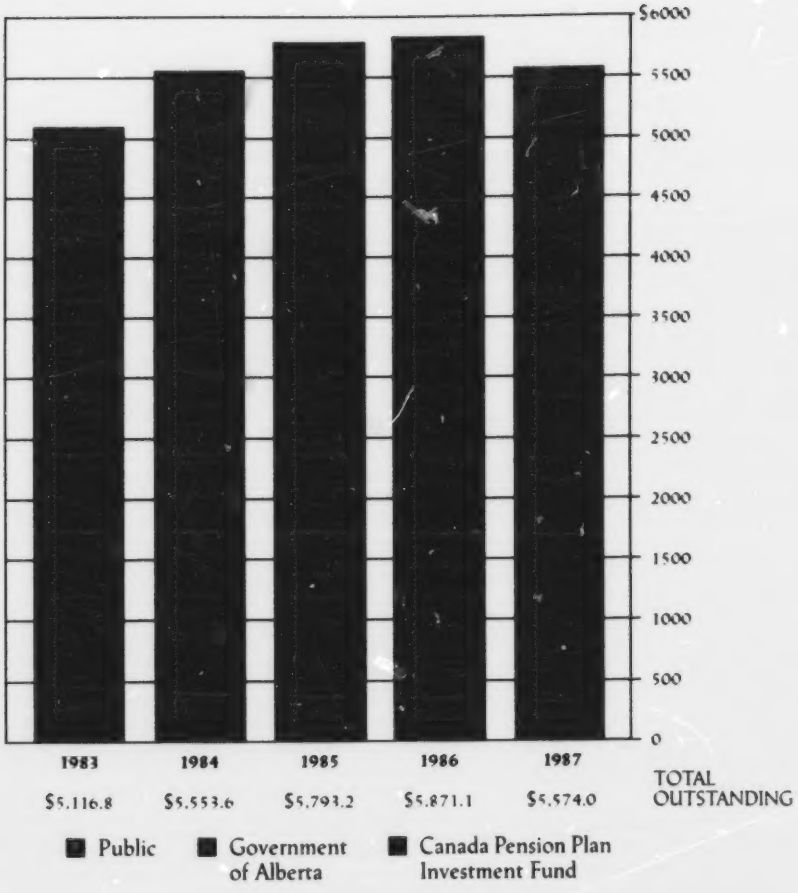
The business of the corporation is administered by a board of directors. The Lieutenant Governor in Council appoints five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

All applications for loans from the corporation, except those for hospital purposes, must have the approval of the Local Authorities Board of the Province as evidence that the applicant has satisfied the provisions of provincial legislation related to the borrowing. Maximum terms of loans for various projects are prescribed in the by-law relating to the terms and conditions for lending money to shareholders.

Funds are paid to borrowers in exchange for debentures. Loans to municipal and hospital authorities are secured by debentures repayable in equal annual instalments of blended principal and interest. Loans for school purposes are secured by debentures repayable in equal annual instalments of principal plus interest.

FINANCING

The corporation issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the corporation carry the unconditional guarantee of the Province of Alberta.



Analysis of Outstanding Debt

For the Five-Year Period 1983-1987
(millions of dollars)

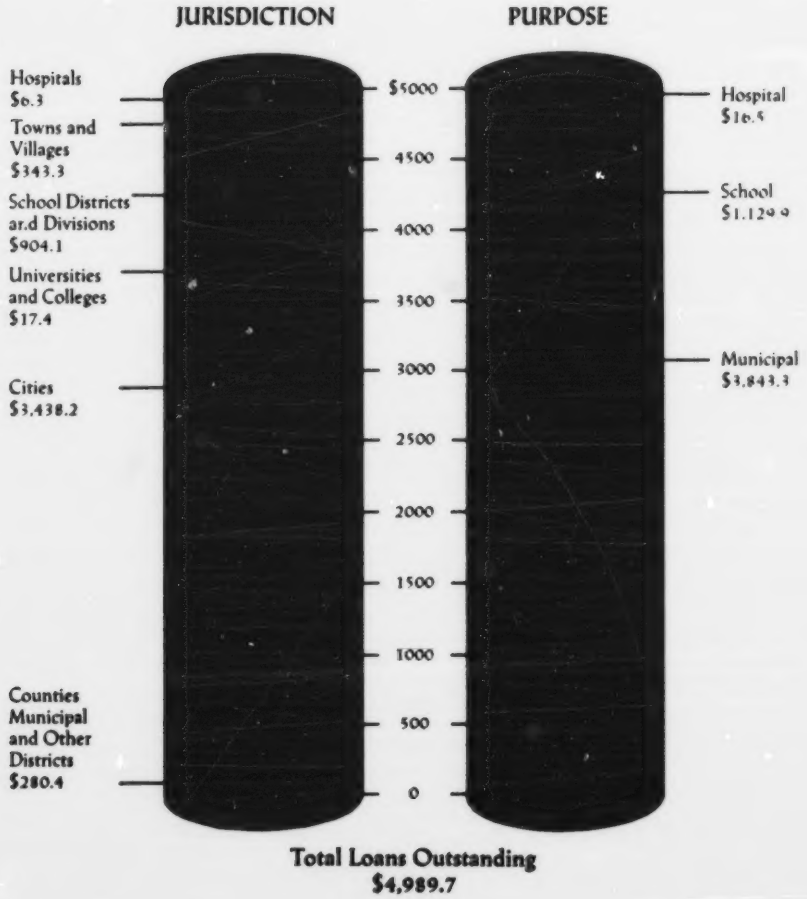
Analysis of New Loans Issued

By Jurisdiction
and Purpose
For the Year Ended
December 31, 1987
(thousands of dollars)

	Cities	Towns	Villages	Other	Total
Sewer and water	$ 16,299	$ 5,943	$220	$ 953	$ 23,415
Roads and sidewalks	36,911	5,661	151	437	43,160
Transit	2,900	–	–	–	2,900
Land	150	441	–	–	591
Municipal buildings	13,722	20	50	1,135	14,927
Equipment and machinery	4,567	512	–	580	5,659
Utilities	80,000	–	–	–	80,000
Parks and recreation	9,975	1,039	–	321	11,335
Hospitals and nursing homes	3,157	–	–	776	3,933
Schools	–	333	–	114,274	114,607
Total	$173,681	$13,949	$421	$118,476	$306,527

Outstanding Loans

By Jurisdiction
and Purpose
As at December 31, 1987
(millions of dollars)



Total Loans Outstanding
$4,989.7

ALBERTA MUNICIPAL FINANCING CORPORATION

SCHEDULE OF LOANS OUTSTANDING

As at December 31, 1987

(thousands of dollars)

	Principal Outstanding 31-Dec-86	1-Jan-87 to 31-Dec-87 New Loans Issued	1-Jan-87 to 31-Dec-87 Principal Repaid	Principal Outstanding 31-Dec-87
By Jurisdiction				
Cities:				
Airdrie	$ 10,872	$ 840	$ 223	$ 11,489
Calgary	1,511,880	57,000	47,969	1,520,911
Camrose	17,189	1,834	732	18,291
Drumheller	9,638	175	389	9,424
Edmonton	1,618,313	90,800	194,951	1,514,162
Fort McMurray	18,887	2,586	1,504	19,969
Fort Saskatchewan	10,259	–	389	9,870
Grande Prairie	55,986	587	1,959	54,614
Leduc	16,502	–	1,108	15,394
Lethbridge	57,392	8,905	3,380	62,917
Lloydminster	18,719	604	709	18,614
Medicine Hat	53,297	2,520	1,498	54,319
Red Deer	74,057	5,160	13,503	65,714
Spruce Grove	8,719	681	426	8,974
St. Albert	38,953	801	849	38,905
Wetaskiwin	13,723	1,239	369	14,593
Total Cities	3,534,386	173,732	269,958	3,438,160
Towns	308,983	13,891	18,122	304,752
Villages	40,511	429	2,346	38,594
Counties - School	189,367	28,448	12,109	205,706
- Other	48,123	2,864	3,827	47,160
Municipal districts	5,334	562	555	5,341
Improvement districts	5,103	–	328	4,775
Irrigation & water services	20,063	–	2,625	17,438
Hospitals	7,985	776	2,445	6,316
Universities & colleges	13,653	3,953	256	17,350
School districts & divisions	880,012	81,873	57,783	904,102
	$5,053,520	$306,528	$370,354	$4,989,694
By Purpose				
Municipal - General	$3,163,806	$101,938	221,018	$3,044,726
- Utility	788,570	86,000	75,959	798,611
Hospital	15,559	3,983	3,030	16,512
School	1,085,585	114,607	70,347	1,129,845
	$5,053,520	$306,528	$370,354	$4,989,694

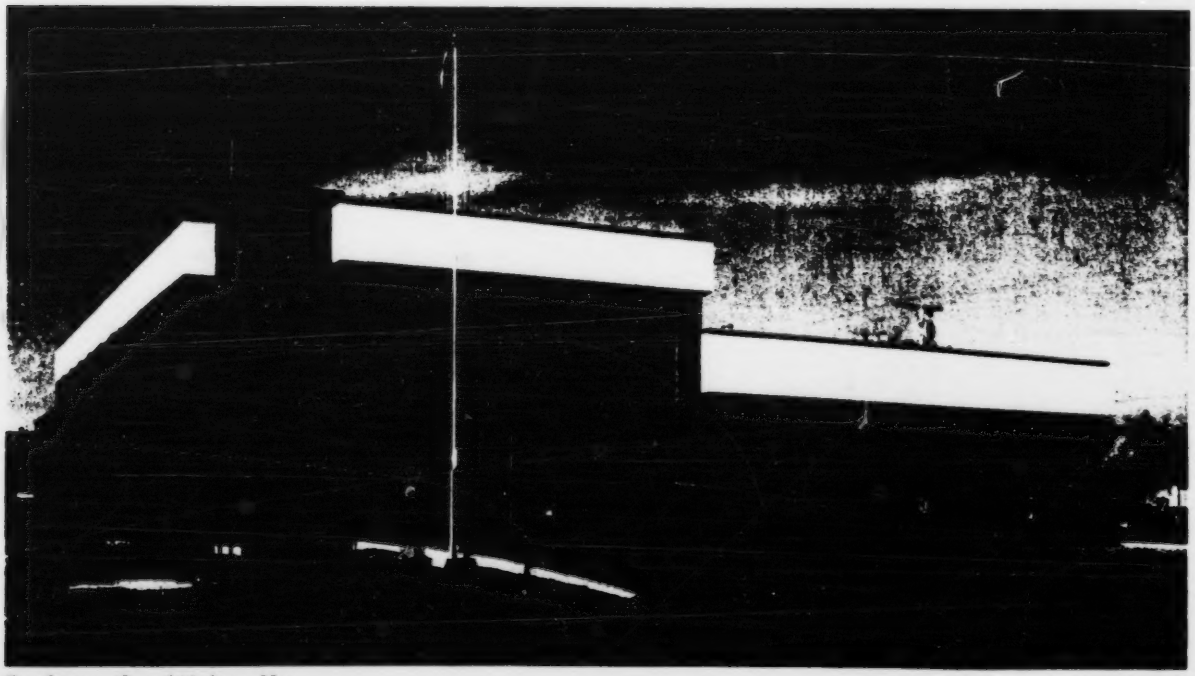
Ten-Year Review 1978-1987

(thousands of dollars)

New loans issued during the year:	1987	1986	1985
By jurisdiction:			
Cities	$ 173,732	$ 150,023	$ 174,688
Towns and villages	14,320	14,765	15,655
County, municipal and other districts	31,874	34,907	34,861
Hospitals	776	800	–
School divisions and districts	81,873	123,093	112,341
Universities and colleges	3,953	13,600	–
Total	306,528	337,188	337,545
By purpose:			
Municipal	187,938	168,889	196,614
Hospital	3,983	800	25
School	114,607	167,499	140,906
Total	306,528	337,188	337,545
Loans repaid during year	370,354	239,577	234,875
New debt issues sold during year	327,996	395,645	290,742
Outstanding debenture debt at December 31	5,573,966	5,871,138	5,793,144
Sinking fund assets at December 31	1,084,559	1,206,684	1,126,810
Retained earnings at December 31	605,165	535,672	429,207
Lending rate at December 31 (based on 20-year term)	11½%	10%	11%

Municipal Park

1984	1983	1982	1981	1980	1979	1978
$ 416,688	$ 402,621	$ 858,068	$ 582,833	$ 521,309	$ 333,727	$ 267,327
14,965	31,666	62,884	99,429	94,039	89,837	62,036
18,935	35,873	40,853	49,172	47,306	18,206	14,820
–	2,359	800	4,715	19,275	74,316	51,686
103,381	149,677	157,183	107,726	60,734	41,893	22,980
–	–	–	–	–	–	–
553,969	622,196	1,119,788	843,875	742,663	557,979	418,849
435,654	444,417	913,450	688,728	639,491	432,637	336,457
22	2,978	19,332	8,715	19,275	76,316	53,808
118,293	174,801	187,006	146,432	83,897	49,026	28,584
553,969	622,196	1,119,788	843,875	742,663	557,979	418,849
229,119	211,226	118,398	101,582	400,710	669,655	91,227
488,491	748,582	1,116,673	844,111	676,439	461,392	469,576
5,553,558	5,116,788	4,645,360	3,529,752	2,693,913	2,338,364	2,407,159
951,144	797,845	668,897	480,475	405,756	359,266	329,917
355,686	290,699	233,968	128,105	121,928	102,919	103,787
13¹/₈%	12⁵/₈%	13¹/₄%	16¹/₂%	13³/₄%	12%	10³/₈%



Fire Station, City of Medicine Hat

ALBERTA
LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Shareholders of the
Alberta Municipal Financing Corporation

I have examined the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1987 and the statements of revenue, expenditure and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D. Salmon

CA
AUDITOR GENERAL

Edmonton, Alberta
February 19, 1988

ALBERTA MUNICIPAL FINANCING CORPORATION

BALANCE SHEET

As at December 31, 1987
(thousands of dollars)

	1987	1986
Assets:		
Cash	$ 3,839	$ 27,840
Accrued interest receivable	225,811	244,654
Loans to municipal authorities	4,989,694	5,053,520
	$5,219,344	$5,326,014
Liabilities and Shareholders' Equity:		
Liabilities:		
Short-term note payable to the Provincial Treasurer	$ 14,948	$ –
Accrued interest payable	120,303	138,635
Net debenture debt (Schedule 1 and Notes 3 and 4)	4,478,864	4,651,643
	4,614,115	4,790,278
Shareholders' Equity:		
Share capital (Note 5):		
Authorized: 7,500 common shares, par value $10 per share Issued and fully paid: 1987 - 6,386 shares (1986 - 6,384 shares)	64	64
Retained earnings	605,165	535,672
	605,229	535,736
	$5,219,344	$5,326,014

A.F. Collins
PRESIDENT & CHAIRMAN OF THE BOARD

M.R. Parker
VICE-PRESIDENT

The accompanying notes are part of these financial statements.

ALBERTA MUNICIPAL FINANCING CORPORATION

STATEMENT OF REVENUE, EXPENDITURE AND RETAINED EARNINGS

For the Year Ended December 31, 1987
(thousands of dollars)

	1987	1986
Revenue:		
Interest on loans	$617,919	$661,303
Investment income on sinking fund assets (Note 6)	128,715	160,801
Interest on deposits	7,436	5,467
Fees on loan prepayments	5,523	2,186
Gains on redemption of debenture debt	139	210
	759,732	829,967
Expenditure:		
Interest on debentures	687,234	719,086
Amortization of debenture discount	2,268	3,545
Administration and office expense	317	303
Exchange losses on debenture debt	302	407
Interest on short-term notes	56	95
Debt service charges	54	51
Directors' and officers' fees and expenses	8	15
	690,239	723,502
Excess of revenue over expenditure for the year	69,493	106,465
Retained earnings, beginning of year	535,672	429,207
Retained earnings, end of year	$605,165	$535,672

ALBERTA MUNICIPAL FINANCING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1987
(thousands of dollars)

	1987	1986
Operating transactions:		
Excess of revenue over expenditure for the year	$ 69,493	$ 106,465
Add (deduct) non-cash items:		
Amortization of gains, losses and discounts related to debt	2,487	3,837
Amortization of premiums and discounts related to sinking fund investments	(26,466)	(27,092)
Decrease (increase) in accrued interest, net	511	(6,652)
Cash provided by operating transactions	46,025	76,558
Investing transactions:		
New loans	(306,528)	(337,188)
Loan repayments	370,354	239,577
Cash provided by (applied to) investing transactions	63,826	(97,611)
Financing transactions:		
Debt issues:		
Canada Pension Plan Investment Fund	327,996	395,645
Short-term note payable to the Provincial Treasurer	14,892	9,905
Debt retirement:		
Redemption of debentures	(625,330)	(317,848)
Redemption of short-term note payable to the Provincial Treasurer	–	(10,000)
Liquidation (increase) of sinking fund assets, net	148,590	(52,782)
Sale of shares	–	1
Cash provided by (applied to) financing transactions	(133,852)	24,921
Increase (decrease) in cash	(24,001)	3,868
Cash at beginning of year	27,840	23,972
Cash at end of year	$ 3,839	$ 27,840

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1987

Authority

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980, as amended.

Significant Accounting Policies and Reporting Practices

Sinking Fund Assets (Schedule 2)

Sinking fund assets are recorded at cost. The cost of investments includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investments.

Realized gains and losses on disposals of sinking fund investments are included in the determination of investment income. The cost of investments disposed of is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Foreign Exchange

Debenture debt, cash, accrued interest, short-term money market securities and accounts payable denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments, other than short-term money market securities, and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net income except:

(i) unrealized exchange gains or losses relating to hedged debenture debt which are deferred until the debt is extinguished, and unrealized exchange gains or losses relating to unhedged debenture debt which are deferred and amortized over the remaining life of the debt, and

(ii) unrealized exchange gains or losses relating to hedged monetary assets which are deferred.

Debenture Discount

Debenture discount, including underwriting commission, arising on the issue of debenture debt is deferred and amortized over the term of the debt. Public debenture issue expenses are charged against income as they arise.

Net Debenture Debt

(a) The debenture debt of the corporation is fully guaranteed by the Province of Alberta.

(b) Debentures amounting to $3,895,824,000 held by the Canada Pension Plan Investment Fund are redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing to the Provincial Treasurer and observing the other redemption provisions of the debentures.

(c) Debentures are recorded net of sinking fund assets, deferred exchange losses and unamortized discounts.

Commitments (thousands of dollars)

Sinking fund and debenture redemption requirements during each of the next five years are as follows:

	Sinking Fund	Debenture Redemption	Total
1988	$10,875	$222,092	$232,967
1989	7,875	323,843	331,718
1990	7,875	80,406	88,281
1991	7,875	117,130	125,005
1992	7,875	89,599	97,474
	$42,375	$833,070	$875,445

Share Capital

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of Shares Authorized	Number of Shares Issued and Fully Paid	Total Dollar Amount
A	Provincial Treasurer	4,500	4,500	$45,000
B	Municipalities and hospitals	1,000	851	8,510
C	Cities	750	578	5,780
D	Towns and villages	750	314	3,140
E	Schools, universities and colleges	500	143	1,430
		7,500	6,386	$63,860

1 Class B and 1 Class D share were issued during the year at $10.00 each.

Investment Income on Sinking Fund Assets

Investment income on sinking fund assets is used to acquire additional sinking fund assets.

Prior to 1986, the corporation was required by its by-laws to provide sinking fund assets for all of its debenture debt. In 1986, the corporation's by-laws were changed to only require sinking fund assets for certain public debentures and certain other debentures maturing in 2000. Sinking fund assets in excess of amounts required by the new by-laws will be used to retire debentures as they mature. Commencing in 1988, any remaining excess sinking fund assets will also be available for loans to municipal authorities.

In accordance with the corporation's change in its sinking fund policy, assets of $261,757,000 were used to repay debentures maturing in 1987.

Comparative Figures

The 1986 figures have been reclassified where necessary to conform to 1987 presentation.

Approval of Financial Statements

These financial statements have been approved by the Board of Directors.

ALBERTA MUNICIPAL FINANCING CORPORATION

Schedule 1

SCHEDULE OF NET DEBENTURE DEBT

As at December 31, 1987
(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding
Provincial Treasurer				
Mar 01, 1982	Mar 01, 1988	16.00	$110,000	$ 110,000
Jul 15, 1981	Jul 15, 1988	16.00	45,000	45,000
Nov 01, 1982	Nov 01, 1989	13.50	150,000	70,000
Nov 01, 1979	Nov 01, 1999	11.70	70,000	70,000
Mar 03, 1980	Mar 03, 2000	13.45	35,000	35,000
Jul 02, 1980	Jul 03, 2000	11.75	30,000	30,000
Aug 15, 1980	Aug 15, 2000	13.20	35,000	35,000
Nov 17, 1980	Nov 17, 2000	13.75	75,000	75,000
Dec 01, 1980	Dec 01, 2000	13.65	50,000	50,000
Dec 17, 1979	Dec 15, 2000	11.85	70,000	70,000
Dec 15, 1980	Dec 15, 2000	13.60	155,000	155,000
Mar 02, 1981	Mar 02, 2001	14.10	30,000	30,000
Jun 15, 1981	Jun 15, 2001	16.25	85,000	85,000
Oct 01, 1980	Oct 01, 2001	13.66	75,000	75,000
Total				935,000
Canada Pension Plan Investment Fund (Note 3 (b))				
Dec 02, 1968	Nov 04, 1988	6.56	65,019	65,019
Dec 01, 1969	Nov 03, 1989	7.32	76,618	76,618
Dec 01, 1970	Nov 02, 1990	8.06	78,282	78,282
Dec 01, 1971	Nov 01, 1991	7.18	92,130	92,130
Dec 15, 1972	Jun 01, 1992	7.13	54,599	54,599
Dec 15, 1973	Sep 04, 1993	7.44	85,433	85,433
Nov 15, 1974	Oct 01, 1994	8.34	98,318	98,318
Nov 14, 1975	Oct 01, 1995	8.79	137,694	137,694
Oct 15, 1976	Sep 01, 1996	9.06	140,685	140,685
Oct 14, 1977	Sep 01, 1997	9.06	163,457	163,457
Oct 16, 1978	Sep 01, 1998	9.31	176,645	176,645
Nov 15, 1979	Oct 01, 1999	10.04	219,206	219,206
Nov 14, 1980	Oct 01, 2000	12.35	222,367	222,367
Sep 15, 1981	Aug 01, 2001	14.18	216,739	216,739
Jun 01, 1982	Jun 01, 2002	15.75	274,735	274,735
Apr 05, 1983	Apr 05, 2003	13.82	209,284	209,284
Dec 01, 1983	Dec 01, 2003	11.50	231,739	231,739
Dec 03, 1984	Dec 03, 2004	13.25	338,491	338,491
Nov 01, 1985	Nov 01, 2005	11.66	283,604	283,604
Nov 03, 1986	Nov 03, 2006	9.85	395,396	395,396
Nov 02, 1987	Nov 02, 2007	9.66	335,383	335,383
Total				3,895,824

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding
Public, Payable in Canadian Dollars				
Aug 15, 1984	Aug 15, 1989	13.50	$150,000	$ 150,000
Nov 01, 1969	Nov 01, 1989	8.00	15,000	56
Nov 15, 1966	Nov 15, 1989	6.25	25,000	25,000
Jun 01, 1970	Jun 01, 1990	8.625	28,000	2,124
Jun 15, 1966	Jun 15, 1991	5.75	25,000	25,000
May 15, 1967	May 15, 1992	6.00	35,000	35,000
Mar 15, 1968	Mar 15, 1993	7.25	52,000	52,000
Jan 18, 1983	Dec 15, 2002	12.25	450,000	450,000
Total				739,180
Public, Payable in United States Dollars				
Dec 15, 1964	Dec 15, 1989	4.625	25,000	4,243
Less deferred exchange losses				281
Total				3,962
				5,573,966
Less:				
Sinking fund assets (Schedule 2)				1,084,559
Unamortized debenture discount				10,543
				1,095,102
Total				$4,478,864

ALBERTA MUNICIPAL FINANCING CORPORATION

Schedule 2

SCHEDULE OF SINKING FUND ASSETS

As at December 31, 1987

(thousands of dollars)

	Par Value	Book Value	Market Value
Investments			
Bonds and debentures:			
Government of Canada, direct and guaranteed	$357,273	$ 368,050	$ 376,660
Provincial, direct:			
Alberta	10,338	10,321	9,873
Other	43,310	43,085	43,258
Provincial, guaranteed:			
Alberta Municipal Financing Corporation	(a)	95,966	91,453
Other Alberta	66,336	67,631	64,853
Other	66,375	64,995	61,426
Corporate	76,606	76,058	78,041
Municipal	8,713	8,660	8,662
Mid-term money market securities:			
Notes	(b)	24,145	24,730
Certificates of deposit	2,000	2,000	2,035
Guaranteed investment certificates	6,500	6,531	6,574
Mortgages	2,768	2,768	3,318
Bond coupons and residuals:			
Government of Canada, direct		140,942	137,603
		911,152	908,486
Short-term money market securities:(c)			
Treasury bills		29,887	29,887
Bearer deposit notes		9,990	9,990
Bankers' acceptance		16,925	16,925
Total		967,954	965,288
Other Assets:			
Cash		95,565	95,565
Accrued interest receivable		21,040	21,040
Total		116,605	116,605
Total 1987		**$1,084,559**	**$1,081,893**
Total 1986		$1,206,684	$1,264,271

(a) Comprises Canadian $93,189,000 and United States $2,461,000.

(b) Comprises Canadian $22,250,000 and United States $1,500,000.

(c) Market value is deemed to be book value.